

## Message Text

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C O N F I D E N T I A L SECTION 01 OF 05 OECD PARIS 27415

E.O: 11652 GDS

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC COMMISSIONS: SESSIONS OF  
SEPTEMBER 17, 18, AND 20

1. SUMMARY: CIEC COMMISSIONS HELD REDUCED NUMBER OF SESSIONS ON SEPTEMBER 17-20 AS RAW MATERIALS COMMISSION ON SEPTEMBER 15 AND ENERGY AND FINANCE COMMISSIONS ON SEPTEMBER 17 ENDED FORMAL MEETINGS IN FAVOR OF INFORMAL CONTACTS. ENERGY COMMISSION SESSION OF SEPTEMBER 17 WAS DEVOTED TO DISCUSSION OF EC PAPER SURVEYING POSSIBLE AREAS FOR FUTURE COOPERATION IN ENERGY INCLUDING CONTROVERSIAL ISSUE OF CONTINUING CONSULTATIVE PROCEDURE ON ENERGY PRICES. DEVELOPMENT COMMISSION COMPLETED MOST INDEBTEDNESS DISCUSSION SEPTEMBER 17 AND TURNED TO ODA SEPTEMBER 18 AND AGRICULTURE SEPTEMBER 20. ON INDEBTEDNESS, G-19 CALLED FOR GENERALIZED DEBT RELIEF WHILE US AND EC SUPPORTED CASE BY CASE APPROACH. G-8 GENERALLY BACKED A CANADIAN ODA TEXT BASED ON NAIROBI GROUP B DOCUMENT; FOR G-19, PAKISTAN INTRODUCED PROPOSAL CALLING INTER ALIA, FOR DEVELOPMENT TAX, EXTENSION OF 90 OF ODA AS GRANTS OR CREDITS ON IDA TERMS, UNTYING OF ALL ODA LOANS AND AS FAR AS POSSIBLE OF ODA GRANTS, AND \$9 BILLION IDA V. FINANCE COMMISSION IN SEPTEMBER 17 MEETING CONCLUDED DISCUSSION OF INFLATION AND MOVED ON TO DEBT AND OPEC ASSETS ISSUES. IN COMMENTS ON G-19 PAPER ON DEBT, G-8 DELS ATTEMPTED POINT OUT POSSIBLE AREAS OF CONVERGENCE BETWEEN G-19 AND US/EC POSITIONS ON DEBT. SAUDI ARABIAN DEL AGAIN EMPHASIZED THAT PREFERENTIAL TREATMENT FOR OPEC SURPLUS REMAINS ESSENTIAL, WHILE EC DEL REITERATED THAT SUCH TREATMENT NOT POSSIBLE. END SUMMARY.

## 2. ENERGY COMMISSION

FINAL DAY'S SESSION OF ENC ON FRIDAY WAS DEVOTED TO DISCUSSION OF EC PAPER SURVEYING POSSIBLE AREAS FOR  
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FUTURE COOPERATION IN ENERGY. PAPER SUGGESTED EXCHANGE OF INFORMATION WITH PRODUCERS IN SUCH AREAS AS: SUPPLY/DEMAND FORECASTS, CONSERVATION, COMPETITIVE STANDING, PURCHASING POWER OF EXPORT EARNINGS, AND IMPACT OF PRICES ON WORLD ECONOMIC SITUATION. PAPER ALSO PROPOSED COOPERATION WITH EDDC'S RE R & D, TRANSFER OF TECHNOLOGY (INCLUDING POSSIBLE IEI), AND PRIVATE INVESTMENT (INCLUDING POSSIBLE IRB). ONLY

CONTROVERSIAL ELEMENT IN PAPER WAS PROPOSAL FOR  
CONTINUING CONSULTATIVE PROCEDURE ON ENERGY PRICES.  
PAPER NOTED THAT CONSULTATION PROCESS SHOULD PLAY A  
PART IN "ACHIEVING THE OBJECTIVES OF PRICING POLICY  
WHICH HAVE BEEN DISCUSSED IN EARLIER COMMISSION  
MEETINGS AND IN PARTICULAR AVOIDING LARGE AND ABRUPT  
PRICE FLUCTUATION, UP OR DOWN." PAPER SUGGESTED  
FORUM SHOULD MEET AT LEAST ANNUALLY WITH MORE

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FREQUENT MEETINGS "IF, FOR EXAMPLE, IMPORTANT SUPPLY  
OR PRICE DIFFICULTIES AROSE..."

3. AT G-8 MEETING ON THURSDAY, USDEL HAD POINTED  
OUT THAT EC LANGUAGE PROPOSING PRICE CONSULTATIONS  
MIGHT BE TACTICAL MISTAKE SINCE IT MIGHT TEND TO PLACE  
DC'S IN DEMANDEUR POSITION ON MOST SENSITIVE ASPECT  
OF CONTINUING MECHANISM ISSUE, AND PROBABLY INCREASE  
GENERAL OPEC SUSPICION CONCERNING ANY KIND OF  
CONTINUING CONSULTATIVE MECHANISM. EC REPS  
(PRIMARILY DUTCH AND WILLIAMS OF EC COMMISSION) FELT  
STRONGLY, HOWEVER, THAT EFFORT SHOULD BE MADE ANYWAY.

4. WHEN PAPER WAS PRESENTED IN ENC, WILLIAMS  
STRESSED EC WAS NOT SUGGESTING NEGOTIATIONS ON  
PRICES, AND PRODUCERS OF COURSE WOULD RETAIN FULL  
SOVEREIGNTY IN THIS AREA. SINCE COMMISSION MEMBERS HAD  
INFORMALLY AGREED FRIDAY WOULD BE LAST DAY OF  
SEPTEMBER SESSION, THERE WAS LITTLE TIME FOR  
DISCUSSION OF PAPER. IRANIAN DEL YEGANEH INDICATED  
PRIVATELY, HOWEVER, CONSIDERABLE ANNOYANCE AT PRICE  
CONSULTATION PROPOSAL NOTING THAT SHAH WAS FLATLY  
OPPOSED TO ANY SUCH MECHANISM. YEGANEH REFRAINED,  
HOWEVER, FROM MAKING FORMAL INTERVENTION AT FRIDAY  
SESSION, APPARENTLY NOT WISHING BEAR RESPONSIBILITY  
FOR LAUNCHING COMMISSION INTO DETAILED EXCHANGE  
OF VIEWS ON EC TEXT, POSSIBLY GENERATING NEED FOR  
SATURDAY AND MONDAY SESSIONS.

DEVELOPMENT COMMISSION

5. COMMISSION COMPLETED DISCUSSION OF INDEBTEDNESS  
AND ODA ON FRIDAY AND SATURDAY. SINCE G-19 WAS NOT

PREPARED TO SUBMIT ANY PROPOSALS ON "OTHER FLOWS"  
THIS SESSION, DISCUSSION OF THIS TOPIC WAS PUT OVER  
UNTIL OCTOBER. MONDAY SESSION WAS DEVOTED ENTIRELY  
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TO DISCUSSION OF FOOD AND AGRICULTURE.

6. INDEBTEDNESS DISCUSSION WAS LIVELY, AND DELEGATES  
SPOKE TO ISSUES IN EC/US AND G-19 PAPERS, BUT  
POSITIONS REMAINED FAR APART. SPEAKING FOR G-19,  
PAKISTAN AND JAMAICA CONTINUED TO EMPHASIZE THAT  
GENERALIZED DEBT RELIEF WAS NEEDED TO MITIGATE  
ADVERSE IMPACT OF EXTERNAL EVENTS ON LDC'S DURING  
RECENT ECONOMIC DOWNTURN, WHILE US AND EC CONTINUED  
TO SUPPORT CASE-BY-CASE TREATMENT OF LDC FINANCIAL  
PROBLEMS AS THEY AROSE. US CIRCULATED PAPER ON  
PREVENTING LONG-TERM FINANCIAL DIFFICULTIES IN LDC'S.  
POLEMICAL JAMAICAN STATEMENT WARNED THAT G-8 MUST  
CHANGE POSITION RADICALLY IF DIALOGUE ON INDEBTEDNESS  
IS TO BE A SUCCESS. JAMAICAN CALLED FOR ABANDONING  
OF CASE-BY-CASE APPROACH AND GOVERNMENTAL INTER-  
CESSION IN COMMERCIAL CREDIT TRANSACTIONS. HE  
COMPLAINED THAT PREVENTATIVE MEASURES OUTLINED BY US  
WERE ADDRESSED SOLELY TO DEBTORS WHEREAS IT WAS  
INEQUITABLY FUNCTIONING INTERNATIONAL FINANCIAL SYSTEM  
WHICH SHOULD BE OVERHAULED. IT WAS DECIDED THAT  
INTERESTED DELEGATIONS WOULD GET TOGETHER INFORMALLY  
TO CONTINUE DISCUSSION OF DEBT ISSUES. US, EC, JAPAN,  
SWEDEN, PAKISTAN, INDIA AND EGYPT HAVE INDICATED  
INTEREST IN PARTICIPATING, AND CONTACTS HAVE ALREADY  
BEGUN.

7. THREE PROPOSALS WERE TABLED ON ODA, TWO FROM G-8  
(CANADA AND SWEDEN) AND ONE FROM G-19. ALL G-8

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MEMBERS EXCEPT SWEDEN GENERALLY SUPPORT CANADIAN TEXT,  
WHICH IS BASED ON GROUP B POSITION WORKED OUT IN  
NAIROBI BUT DOES NOT COVER AS MANY POINTS .

CANADIAN TEXT PROPOSES "TO ATTEMPT TO REACH AS SOON AS POSSIBLE THE TARGET OF 0.7" BUT LEAVES OUT REST OF GROUP B TEXT ON ODA TARGET. PARAGRAPHS ON TERMS AND UNTYING ARE SAME AS GROUP B TEXT EXCEPT THAT SENTENCE FROM NAIROBI RESOLUTION ON LEAST DEVELOPED CALLING FOR EXTENSION OF ODA ESSENTIALLY IN GRANT FORM IS INCLUDED. LANGUAGE ON USE OF RESOURCES AND IFI'S IS ESSENTIALLY IDENTICAL TO GROUP B TEXT, EXCEPT THAT REFERENCES TO THIRD WINDOW AND IFAD ARE DELETED. SWEDEN'S PROPOSALS GO FURTHER BY CALLING FOR ATTAINMENT OF 0.7 TARGET BY 1980, RAISING TERMS TARGET TO 90 AND PROVISION OF ODA TO LLDC'S ON GRANT BASIS ONLY.

8. US AND EC PRESENTED A COMMON PAPER ON OTHER FLOWS STRESSING THE IMPORTANCE OF PRIVATE CAPITAL. PAPER WILL BE CONSIDERED NEXT SESSION.

9. G-19'S ODA PROPOSALS (SEPTTEL), WHICH ARE DIRECTED ALMOST EXCLUSIVELY TO DAC MEMBERS RATHER THAN TO QUOTE ALL DONORS UNQUOTE AS CANADA'S ARE, CALL FOR (INTER ALIA): (A) SPECIFIC MEASURES SUCH AS DEVELOPMENT TAX AND INTEREST SUBSIDY PROGRAMS TO REACH 0.7 BY 1980; (B) EXTENSION OF 90 OF ODA AS GRANTS OR CREDITS ON IDA TERMS; (C) UNTYING OF ALL ODA LOANS, AND OF ODA GRANTS AS FAR AS POSSIBLE; (D) PROPORTIONATELY GREATER SHARE OF PROGRAM AID; (E) \$9 BILLION IDA V AND SUBSIDIZATION OF IDA BORROWING BY PART I BANK MEMBERS; (F) AGREEMENT TO CONTINUED IBRD THIRD WINDOW; (G) SPECIAL AND GENERAL IBRD CAPITAL INCREASE; AND (H) MORE FUNDS FOR UNDP, UNSF, AND REGIONAL IFI'S. PAKISTANI DEL, WHO INTRODUCED G-19 PROPOSALS ON ODA, SAID G-19 FELT CONFIDENTIAL

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EFFORT SHOULD BE MADE TO CONCRETIZE PAST COMMITMENTS THROUGH AGREEMENT TO SPECIFIC MEASURES TO REACH 0.7 AND SUPPORT IFI'S. INDIAN DEL EXPRESSED DISAPPOINTMENT WITH SLOW PROGRESS SINCE SEVENTH SPECIAL SESSION ESPECIALLY ON ODA ISSUES WHICH HE CHARACTERIZED AS CENTRAL INTEREST OF LDC'S (SLOW PROGRESS WAS DISPUTED BY US AND EC). INDIAN DEL SAID LACK OF MORE SPECIFICITY IN CANADIAN PROPOSALS LED HIM TO DOUBT SERIOUSNESS WITH WHICH G-8 APPROACHED DIALOGUE. FOR EXAMPLE, HE ASKED WHAT USE TARGET WAS WITHOUT DEADLINE AND HOW G-8 PROPOSED TO MAKE ODA FLOWS "PREDICTABLE, CONTINUOUS AND INCREASINGLY ASSURED" AS SPECIFIED IN CANADIAN TEXT.

10. US DEL AGAIN NOTED THAT US COULD NOT ACCEPT

0.7 TARGET, BUT OTHERWISE GAVE UPBEAT STATEMENT  
ON ODA SUPPORTIN PROGRESS TO IMPROVE QUALITY OF  
ODA FLOWS (UNTYING, GRANTS FOR LEAST DEVELOPED)  
AND GENERAL COMMITMENT TO CONTINUE SUPPORT FOR  
MULTILATERAL INSTITUTIONS (WHILE LEAVING SPECIFIC  
DECISIONS TO THEIR RESPECTIVE BOARDS). EC DEL  
ALSO GAVE UPBEAT STATEMENT, INDICATING EC POSITION ON  
ODA WAS BASED ON GROUP B TEXT. HE SAID MEMBERS  
HAD GREAT DIFFICULTY WITH MEASURES PROPOSED  
BY G-19 TO REACH 0.7 TARGET AND WITH &9 BILLION  
LEVEL PROPOSED FOR IDA V. (IN G-8 CAUCUS, EC ALSO  
NOTED IT (FRANCE) COULD NOT ACCEPT GROUP B  
TEXT ON UNTYING.) JAPANESE STATEMENT ENNUMERATED  
ADDITIONAL POINTS IN G-19 PROPOSALS WHICH WERE  
UNACCEPTABLE. SWEDISH DEL INDICATED GENERAL SUPPORT  
FOR ALL G-19 PROPOSALS EXCEPT DEVELOPMENT TAX,  
INTEREST SUBSIDY PROGRAM AND \$9 BILLION IDA V  
LEVEL. IN SUMMING UP, AIT CHALLAL OUTLINED POINTS ON

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WHICH AGREEMENT WAS CLOSE AND SAID DISCUSSION OF  
OTHER PROPOSALS WOULD BE NECESSARY IN NOVEMBER.

11. DISCUSSION ON FOOD AND AGRICULTURE CENTERED ON  
TWO TEXTS SUBMITTED TO THE COMMISSION; ONE BY  
THE G-19 AND A COMMON G-19 US-EC-CANADIAN TEXT.  
BOTH TEXTS ARE BEING TRANSMITTED SEPARATELY.  
AS MIGHT BE EXPECTED, TEXTS HAD A GREAT DEAL  
IN COMMON E.G., IMPORTANCE OF INCREASING LDC  
AGRICULTURAL PRODUCTION, NEED FOR ADEQUATE SUPPLIES  
OF FERTILIZER, TEMPORARY NATURE OF FOOD AID,  
COMMITMENT TO 10 MILLION TON FOOD AND TARGET  
AND IMPORTANCE OF INTERNATIONAL DISCUSSION N FOOD  
RESERVES. G-19 PAPER CONTAINS A NUMBER OF  
UNACCEPTABLE ELEMENTS, HOWEVER. G-19 SPOKESMEN  
CRITICIZED LACK OF CONCRETE PROPOSAL IN THE US-EC-  
CANADIAN PAPER AND URGED AGREEMENT ON QUANTIFIED  
TARGETS WITH SPECIFIC DATES FOR IMPLEMENTATION.

12. BOTH PAPERS STRESSED IN A NON-CONFRONTATIONAL  
FASHION THE URGENCY OF ESTABLISHING IFAD. AT THE  
END OF THE DISCUSSION THE COMMISSION GAVE BOTH  
CO-CHAIRMEN THE AUTHORITY, AT WELLENSTEIN'S SUGGESTION,

TO USE THEIR GOOD OFFICES TO ENCOURAGE FURTHER  
CONTRIBUTIONS TO IFAD FROM PROSPECTIVE DONORS.

13. FINANCE COMMISSION (FC)

IN SEPTEMBER 17 FC MEETING, DISCUSSION ON  
MEASURES AGAINST INFLATION WAS CONCLUDED FOR THIS  
SESSION OF CIEC WITH A CALL BY CO-CHAIRMAN  
SPIERENBURG FOR A G-19 PAPER ON MEASURES AGAINST  
INFLATION (OR COMMENTS ON THE US AND EC PAPERS ON  
THIS SUBJECT) TO BE PREPARED FOR THE OCTOBER SESSION.  
DISCUSSION ON THIS SUBJECT WAS BRIEF, WITH THE  
BRAZILIAN DEL CALLING FOR A CONSENSUS IN THE CIEC  
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AGREEING TO PRESERVE THE PURCHASING POWER OF THE  
EXPORT EARNINGS OF LDC'S, ALTHOUGH THIS SUBJECT DID  
NOT NECESSARILY HAVE TO BE DISCUSSED IN THE FC.  
OECD OBSERVER (FAY) POINTED OUT THAT, IN ANY CASE,  
THE PROTECTION OF THE PURCHASING POWER OF EXPORT  
EARNINGS SHOULD BE CONSIDERED AN OBSTACLE TO  
REDUCING RATHER THAN A MEASURE AGAINST INFLATION, AND  
FURTHER DISCUSSION OF IT IN THE CONTEXT OF INFLATION  
WOULD BE AN ADMISSION OF DEFEAT.

14. ALL G-8 MEMBERS PARTICIPATED IN A ROUND OF  
COMMENTARY ON THE G-19 PAPER ON DEBT PRESENTED TO THE  
FC ON SEPTEMBER 15 (REPORTED SEPTTEL). COMMENTARY  
WAS GENERALLY GUARDED, ALTHOUGH EACH DELEGATION  
TRIED TO POINT OUT AS BEST THEY COULD AREAS OF  
POSSIBLE CONVERGENCE OF INTEREST BETWEEN THE G-19  
PAPER AND THE US/EC PAPER. EC DEL POINTED OUT  
THAT THE EC/US PAPER GOES FURTHER THAN THE G-19  
PAPER IN SETTING UP INSTITUTIONAL PROCEDURES IN  
DEBT REORGANIZATION SITUATIONS. EC DEL ALSO POINTED  
OUT THAT THE POSSIBILITY OF RENEGOTIATIONS OF  
FINANCIAL ARRANGEMENTS BETWEEN DC'S AND LDC'S AT  
ANY TIME WAS DANGEROUS CONCEPT FOR IT WOULD PLACE  
IN QUESTION THE VALUE OF ANY FINANCIAL CONTRACT.  
EC DEL NOTED THAT G-19 PAPER DID STRESS THAT  
DEVELOPMENT GOALS OF LDC'S SHOULD BE PLACED IN A  
PRIORITY CONSIDERATION WHEN DEBT REORGANIZATIONS TAKE  
PLACE; THE G-8, ACCORDING TO THE EC DEL,

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WOULD RESPECT THESE PRINCIPLES AS LONG AS GENERALLY AND INTERNATIONALLY ACCEPTED DEVELOPMENT TARGETS WERE USED.

15. JAPANESE DEL GENERALLY REITERATED VIEWS HE EXPRESSED IN DEVELOPMENT COMMISSION ON SEPTEMBER 16 (REPORTED SEPTTEL) THAT IN JAPAN BOTH DEBT RELIEF AND NEW AID COME FROM THE SAME POT. THUS, AUTOMATIC DEBT RELIEF COULD HURT THE AID EFFORTS OF JAPAN AND OTHER MEMBERS OF THE G-8. US DEL (PELIKAN) GENERALLY AGREED WITH EC AND JAPANESE DELS THAT A DECLARATION CONDONING THE POSSIBILITY OF ANY LDC'S OBTAINING DEBT RELIEF AT ANY TIME IN WHICH FINANCIAL DIFFICULTIES AROSE WOULD IN THE LONG RUN PUT INTEREST RATES UP AND TERMS DOWN. US DEL ALSO NOTED THAT DEVELOPMENT PROSPECTS ARE CONSIDERED IN DEBT REORGANIZATIONS, AND ON THIS POINT THE G-19 AND THE G-8 WERE NOT FAR APART. US DEL EMPHASIZED THAT THE US WOULD PROVIDE NO DEBT RELIEF FOR DEVELOPMENT PURPOSES. SWEDISH DEL, WHILE GENERALLY AGREEING WITH THE G-8 POSITION IN A BROAD SENSE, NOTED THAT THERE MUST BE FLEXIBILITY IN SOLUTIONS WHICH UNDER ANY CIRCUMSTANCES SHOULD BE GUIDED BY MINIMUM ECONOMIC AND SOCIAL OBJECTIVES.

16. DISCUSSION ON OPEC ASSETS WAS CONCLUDED FOR SEPTEMBER SESSION OF FC BY BRIEF COMMENTARY BY EC AND US DELS ON G-19 PAPER ON THIS SUBJECT PRESENTED SEPTEMBER 16 (REPORTED SEPTTEL). EC DEL POINTED OUT AGAIN THAT PREFERENTIAL TREATMENT FOR OPEC INVESTMENTS IS NOT POSSIBLE AND THAT ALTERNATIVES TO INDEXATION (ITSELF AN IMPOSSIBLE DEMAND) COULD BE EXAMINED TO FIND POSSIBLE MEANS FOR PROTECTING THE REAL ASSETS OF OPEC INVESTORS. US DEL (WITHERELL) POINTED OUT THE POTENTIAL BENEFITS FOR MULTILATERAL PROTECTION OF FOREIGN INVESTMENTS, BOTH IN DC'S AND

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LDC'S. SAUDI ARABIA DEL AGAIN EMPHASIZED THAT PREFERENTIAL TREATMENT REMAINS AN ESSENTIAL ELEMENT FOR THE SURPLUS OF THE OPEC COUNTRIES, FOR, IN HIS VIEW, IT IS UNIQUE, AND HE WAS UNWILLING TO ACCEPT ANY OF THE ARGUMENTS OF THE G-8 TO THE CONTRARY.

17. INFORMAL DISCUSSIONS ON DEBT AMONG INTERESTED  
DELEGATIONS TOOK PLACE ON SEPTEMBER 18, AND WILL BE  
REPORTED SEPTEL.

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**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INTERNATIONAL ORGANIZATIONS, MEETINGS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Review Action:** RELEASED, APPROVED  
**Review Authority:** BoyleJA  
**Review Comment:** n/a  
**Review Content Flags:**  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 APR 2004 by CollinP0>; APPROVED <11 AUG 2004 by BoyleJA>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
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**TAGS:** ENRG, EGEN, ETRD, EFIN, EAID, OECD, CIEC  
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**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006